

## Message Text

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64

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 112112Z FEB 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 2144

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

C O N F I D E N T I A L SANTIAGO 0936

EXDIS

E.O. 11652: GDS

TAGS: EFIN, CI

SUBJECT: CHILE DEBT

REFS: A. STATE 21617 (NOTAL)

B. SANTIAGO 702 (NOTAL)

C. SANTIAGO 935

1. DCM AND ECOM COUNSELOR HAVE DISCUSSED CHILE'S STRATEGY IN 1975 DEBT RESCHEDULING EXERCISE WITH MINISTER OF ECONOMIC COORDINATION RAUL SAEZ. HE HAS NO DIFFICULTY WITH WASHINGTON'S SUGGESTION THAT GOC INITIALLY ASK FOR 100 PERCENT RELIEF FROM PARIS CLUB, BUT GOC IS WILLING TO ACCEPT REPEAT OF 1974 TERMS. BASED ON CONVERSATIONS DURING HIS RECENT TRIP TO EUROPE, SAEZ SAYS SPANISH ARE WILLING TO REPEAT 1974 FORMULA (95 PERCENT RESCHEDULING), FRG IS COOPRATIVE BUT NERVOUS ABOUT WHETHER UK WILL ATTEND PARIS CLUB SESSION; GOC IS COUNTING ON CANADIAN SUPPORT. SO FAR JAPANESE HAVE NOT BEEN FORTHCOMING. GOC EXPECTS SWEDES, DUTCH AND BELGIANS TO CAUSE PROBLEMS AND ITALIANS TO BOYCOTT.

2. WHEN ASKED ABOUT WHAT GOC WOULD DO IF PARIS CLUB COULD NOT AGREE ON RESCHEDULING FORMULA, SAEZ SAID GOC WOULD THEN PROCEED  
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WITH BILATERAL NEGOTIATIONS WITH THOSE COUNTRIES WISHING TO

NEGOTIATE.

3. GOC REQUEST AT MARCH PARIS CLUB MEETING WILL BE FOR RESCHEDULING 1975 ONLY. IN ADDITION CHILEANS WILL PROPOSE ESTABLISHMENT OF STUDY GROUP TO LOOK AT MECHANISMS TO RESCHEDULE ALL GOC DEBT INCURRED BEFORE JANUARY 1974 AND FALLING DUE IN NEXT SIX TO EIGHT YEARS. CHILEANS WILL PROPOSE FORMULA WHEREBY THEIR REPAYMENTS WILL BE TIED TO OVERALL BALANCE OF PAYMENTS SITUATION AS CERTIFIED BY ANNUAL IMF STUDIES OF CHILEAN REPAYMENT ABILITY. IT IS GOC HOPE THAT STUDY GROUP WILL PRESENT FINDINGS TO PARIS CLUB IN OCTOBER 1975 AND THEY WILL BE ACCEPTED. IN SUBSEQUENT YEARS RESCHEDULING EXERCISE WOULD BECOME SEMI-AUTOMATIC BASED ON IMF RECOMMENDATIONS.

4. WE STRESSED TO SAEZ IMPORTANCE OF CLOSE CHILEAN-U. S. COOPERATION IN DEBT RESCHEDULING EXERCISE. HE AGREED. AS REPORTED REF C, SAEZ EXPECTS TO VISIT WASHINGTON IN LATE FEBRUARY AND TO MEET WITH APPROPRIATE USG OFFICIALS. WE RENEWED OUR REQUEST FOR FULL CHILEAN DEBT PROFILE OVER NEXT DECADE. SAEZ SAID HE WOULD TRY TO GET IT FOR US.  
POPPER

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